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NEW HAMPSHIRE JOINS MULTIPLE STATE BANK REGULATORS TAKING ACTION AGAINST MORTGAGE BANKER APEX

Bank Commissioner Peter C. Hildreth announced today that New Hampshire and three other states are taking simultaneous action against mortgage banker Apex Financial Group, joining fellow bank regulators in seven other states that have already taken similar regulatory action. New Hampshire, California, Connecticut, and New Jersey have just completed immediate regulatory actions to halt Apex Financial's alleged practice of illegally doing business with multiple unlicensed entities, leaving consumers unprotected by the licensing protections established by the states. Seven other states—Massachusetts, Alabama, Illinois, Maryland, Georgia, North Carolina, and Ohio – recently have taken similar steps against this company. Bank Commissioner Hildreth issued the Department's orders yesterday. Several additional states are at a still confidential preliminary stage of determining whether action is warranted.

These multistate regulatory actions reflect the states' success in working cooperatively to protect consumers when multistate entities are involved. Such multistate regulatory cooperation increases the speed and efficiency of the states' ability to address illegal mortgage practices and to protect aggressively each state's consumers. Close cooperation among the states also makes it more difficult for an entity operating illegally in one state to simply transfer its operations to a new state when the entity comes under regulatory scrutiny.

The actions taken against Apex stem from an increasingly popular business model in the mortgage broker industry called net branching. While net branching is not per se illegal in all states, where the model often runs afoul of state laws is when a licensed entity does business with multiple unlicensed entities that broker loans for the licensee. Ordinarily, state laws contemplate that such entities would either hold licenses in their own names or be licensed as branches, thus subject to state regulation. Depending on the states, loan originators are either licensed individually and subject to state regulatory oversight or are required to be closely supervised by the licensee for which they work.

Bank Commissioner Hildreth estimates that there are as many as 18 unlicensed Apex net branches offering mortgages to unsuspecting New Hampshire consumers. While the very nature of unlicensed net branching makes it difficult to know how many consumers have already been affected, Commissioner Hildreth stated, "The New Hampshire Banking Department is taking immediate steps to ensure that no additional harm can be done to this state's consumers."

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